

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2012

Docket No. ACR2012

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 11

The United States Postal Service hereby provides its response to Chairman's Information Request No. 11, issued on March 1, 2013. The request contained one question; the question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 11

Question 1

The table below shows that unit mail processing costs for Bound Printed Matter Flats increased from \$0.15 in FY 2011 to \$0.20 in FY 2012. Please explain why the unit mail processing costs increased by 30 percent from FY 2011 to FY 2012.

Bound Printed Matter Flats				
	Total Mail Processing Costs	Total Volume	Unit Mail Processing Cost	Percent Change
	[1]	[2]	[3]	[4]
FY 2012	\$46,218,688	230,521,640	\$0.20	30%
FY 2011	\$38,841,530	251,831,376	\$0.15	
Sources:				
[1]	Cost Segment 3.1			
[2]	RPW			

RESPONSE:

The change in Bound Printed Matter unit mail processing costs between FY 2011 and FY 2012 can best be understood in the context of the unit cost trend over the period of FY 2008 to FY 2012, shown in the table below (compiled using the same sources cited in the Commission's table above). Although the FY 2012 unit cost is 30 percent above the FY 2011 unit cost, it is a more modest 6.5 percent above FY 2010 unit cost. This shows that this unit cost is subject to substantial fluctuations; the Postal Service believes that much of the fluctuation can be explained by sampling variation.¹ Given this, it would appear that FY 2011 is best characterized as a statistical outlier.

¹ The FY 2011 and FY 2012 mail processing costs have coefficients of variation of 7.95 percent and 7.63 percent, respectively. See Docket No. ACR2012, USPS-FY12-37, FY12 IOCS CVs Public.xls; and Docket No. ACR2011, USPS-FY11-37, IOCS PRC CV Summary FY11 public.xls.

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Bound Printed Matter Flats				
	Total Mail Processing Costs	Total Volumes	Unit Mail Processing Costs	Percent Change
FY 2008	47,368,411	289,623,046	16.36	
FY 2009	42,102,674	238,799,031	17.63	8%
FY 2010	43,254,920	229,751,608	18.83	7%
FY 2011	38,841,530	251,831,376	15.42	-18%
FY 2012	46,218,688	230,521,640	20.05	30%